

2013/2014 Executive Proposed Budget address
Monday, September 24, 2012

Mr. Chair, Councilmembers, elected officials, valued employees, and the people of King County:

A former president recently said of the federal budget: "It's arithmetic."

Well, our county budget also follows the rules of math – thankfully, much simpler math than in the other Washington. But we face a lot of the same challenges they do, and some that they have created. And the arithmetic shows that we are succeeding in the face of those challenges. So, let's go to the numbers.

Today I present a balanced budget, one that continues our transition to two-year, biennial budgeting. The one-year General Fund for 2013 is \$684 million – that's one-half of one percent more than in 2012 – and 2.75 percent below inflation.

There are no bells or whistles. The bells and whistles budget was zeroed out some time ago.

This is a budget that manages those things we have within our control, and accounts for events beyond our authority.

Last year at this time we knew we'd have a \$20 million gap in the 2013 General Fund. We have closed that gap. We closed it, first and foremost, by creating more than \$11 million in efficiencies. And we reduced staffing where state and federal revenues were lost.

Our commitment to justice and safety remains at 73 percent of the General Fund.

With this Council we reformed our financial policies, and with our new precision we are able to see that we were holding more money in our bond reserves than needed. So I propose that we use that one-time money to pay down the debt on bonds for roads and flood protection, and to bolster our Rainy Day Fund.

We raised the percentage of reserves in the General Fund last year from 6 to 6.5 percent, and I urge that we stick with that sound practice to assure our sterling Triple-A credit rating. That rating will save taxpayers \$123 million over the life of just those bonds we refinanced within the last three years.

The math behind our reform agenda is simple: If we provide the same level of service with just three percent less growth in costs, assuming no outside impacts, we can create a government that is sustainable over time and lives within its means.

And remember, this doesn't mean saving money by reducing service. It means saving service by reducing cost.

That's the story of this budget. With your permission, Mr. Chair, I'd like to delve into some of the stories behind the numbers.

Big picture: We're on the right track. We surveyed a thousand people across the county and the vast majority, between 70 and 80 percent, has a positive view of King County as a place to live, and work and raise their children – and that is an even more positive view than just three years ago.

Their satisfaction with King County government services increased too, while for other local governments around the country that measure is in steep decline. Why is that? Because we are engaging our employees in a culture of performance and continuous improvement, and that spirit can be felt by those we serve.

So thanks to the actions we've taken over the past three years, and more that we will be taking in this budget, King County is back on sound financial footing. We are looked to as a model. Across our total biennial budget we created \$60 million in efficiencies. Just a few among dozens of examples:

- \$700,000 saved by consolidating computer servers into one data center.
- \$385,000 saved by not buying desktop computers we can do without.
- \$400,000 saved by standardizing the layout of new Public Health clinics so they use space more efficiently.
- Even things like standardizing equipment at sewer plants so fewer kinds of spare parts are needed, or calibrating the amount of industrial bleach it takes to disinfect wastewater.

This is a process of continuous improvement. About half of our agencies reached their three percent goal. And it's no coincidence that those are the agencies most actively pursuing Lean.

In partnership with Boeing and Group Health, and with the support of this Council, we established a Continuous Improvement team, and we are already seeing results:

- The Sheriff's office – from patrol officers to command staff – they have managed to cut their use of overtime by using zone-policing to deploy deputies more efficiently. And with those savings the Sheriff is able to fill vacancies and put more police on the street.
- The Elections Office condensed 10 paper forms for ballot processing into one electronic database, and created a more efficient workflow, just in time for this presidential election.
- Appraisers in the Assessor's Office are now using iPads to enter their data in the field – improving accuracy and saving thousands of hours every year.

We closed this General Fund gap of \$20 million not by raising taxes, nor by cutting services, but by engaging in a philosophy and a methodology for continuous improvement.

With Lean, we understand how work is done, why it's done, and how it can be done better, and I thank Sheriff Strachan, Director Huff, Assessor Hara, and all of our elected officials and department directors who are encouraging our employees to innovate.

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I want to take a moment to speak directly to our employees.

You are truly our greatest asset. You serve the people of King County in an exemplary manner.

My job is to make sure you have the tools to do your job. We can't always get you everything you need, but you've embraced the values of efficiency and great customer service and you're the reason that people surveyed are more pleased with their government than they were three years ago.

And, if I may say so, you are also losing weight, stopping smoking and staying healthy. With these and other smart choices you are making, you have enabled us to budget \$14 million less for health care. These are savings that preserve services and preserve jobs.

You should be proud of yourselves. I am proud to count myself among you. Please join me in thanking our valued employees and their union representatives.

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If we can create efficiencies in King County government, why not team up with other local jurisdictions to avoid duplication, share resources, and save our shared constituents money?

This year I directed that we open talks with cities to see where we can create economies of scale:

- Twenty-five cities renewed our partnership for humane animal services at a reasonable cost.
- The city of Auburn is now joining with King County District Court for municipal court services. Thank you, Presiding Judge Corinna Harn, for helping make that happen.
- With the city of Seattle, we're testing a program for Sheriff's patrol cars to gas up at the City's fueling station, and save up to 50 cents a gallon. We're combining our purchases to buy in bulk, and unveiling new maps to make it easier to navigate government services downtown.

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Last year I described our county as an island of relative stability surrounded by seas of red ink. We continue to meet our responsibilities to manage those things within our control. But red ink elsewhere can spill over onto us.

- The federal government backed away from reimbursing us for \$21 million we had to spend, and another \$10 million our cities had to spend, when a failing federal dam threatened lives and property.
- The state changed its rules for housing parole violators, causing the loss of more than \$9 million that had supported our jails.
- Adverse court rulings, a sluggish economy, a rickety state tax system: these are realities outside of our direct control.

These realities have consequences – consequences that we will manage.

With a reduced inmate population bringing in less revenue, this budget supports 46 fewer positions at the jail. I am working closely with the King County Corrections Guild and other labor representatives to meet our shared goal of achieving personnel reductions without layoffs while balancing the budget and preserving safety.

Sometimes it's not action, but inaction, that carries consequences.

The system for funding county roads across the state hasn't been revisited in 25 years, and it no longer works. Metro Transit has temporary funding authority, but it expires in a year-and-a-half.

We went to the Legislature earlier this year with a solution to sustainably fund transit and roads. But even though the votes were lined up to authorize us to move forward, the Legislature at the last hour of the last day failed to bring those bills to the floor. We said at the time there would be consequences. Now we're seeing them.

If all the cuts in this budget must be taken, the King County Roads Services Division will have eliminated about 226 positions since 2010, or more than one-third of its workforce. That will mean -- little or no road resurfacing. Pothole patching cut back ... again. Snow plowing and cleanup from windstorms scaled back ... again.

We can immediately take three modest measures to protect our roads:

- I propose that we use excess bond reserves to pay the first two years of debt service on the South Park Bridge.

- I propose we no longer use Road money to fund a special police motorcycle unit. With annexations there's less traffic to enforce, and the Sheriff agrees we can assign those deputies to regular patrol.
- I propose we take advantage of our excellent credit and historically low bond rates, and speed up needed work on stormwater control projects on rural roads.

Remember, this 15-hundred mile system of roads and bridges is a \$39 Billion asset, built by generations of King County taxpayers, and we must maintain that investment. To do so, there is a fourth measure, one meager tool left to us by the Legislature – the Transportation Benefit District, and its \$20 vehicle fee.

Today I am sending the Council legislation to revise the boundary of the District to include only the remaining unincorporated area. The plan I am sending shows how the money raised in the unincorporated area will be spent in the unincorporated area, to maintain the roads and bridges in the unincorporated area.

The fee won't be enough, not by a long shot. It would raise \$4 million against the well-more-than \$50 million a year it will take just to keep the roads drivable. But it can help with critical safety and maintenance needs, and keep some crews serving the public. And it is the only remaining authority we have.

The system for funding local transportation in Washington State is broken. Everybody knows it. We have a 1930s revenue system to fund 21st century transportation needs. As Winston Churchill once memorably vowed, "Give us the tools and we will finish the job."

The public rallied last year to save bus service, and this Council joined with them, enacting temporary funding for Metro. In 2014 we again face devastating cuts to our bus system. We must rally our forces again to help the Legislature understand the acute transportation needs at the city and county level.

With members of this Council and with our city partners, we will work on a modern revenue structure that adequately and fairly funds the transportation that people and our economy need.

So again, to our friends in Olympia we say: Give us the tools, and we will finish the job.

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With human services, we've been able to exert more local control. People might think we've cut all human services, and it is a fact that General Fund support disappeared due to tax limits and the recession several years ago.

But in the last few years we have added \$73 million in local funds for human services – for housing, treatment, employment and veterans services, and help for victims of domestic violence and sexual assault.

We have maintained these critical human services over the last three years – thanks to the voters who have renewed the Veterans and Human Services Levy – and thanks to this Council, which enacted the program for Mental Illness and Drug Dependency.

Historic national health reform is on the horizon and we will take full advantage of it by working with our partners to extend the reforms we've brought to King County government to the wider system of health and human services.

We appreciate that the Legislature worked hard to save some health and human services in the last session – but the fallout from deep cuts in previous years is landing on our streets.

The criminal caseload is going down, but the number of people with mental illness in the justice system is going up: patients in the jail's psychiatric unit up 24 percent, patients brought to Involuntary Treatment Court up 30 percent. The King County Jail holds the second largest number of people with mental illness in Western Washington, second only to Western State Hospital.

That's not acceptable, and I'm proud of our work to make sure that people held in jail are the ones who should be in jail. The Community Corrections program, the Homelessness initiative, the Crisis Solutions Center – all protecting people while taking on some of the root causes of crime.

And six years from now we will say goodbye to the old Alder facility and open the new Children and Family Justice Center. This was truly a team effort involving my office and the Council, Prosecutor Satterberg, Presiding Judge McDermott, the entire Superior Court bench, and community leaders. We join together to say thanks to the voters of King County for making this long-awaited investment for children and families.

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Six other quick highlights in this budget:

Under federal health care reform we expect more funding to be available for Public Health in 2014, so we proposed bridge funding for one more year for key prevention services that tackle the leading causes of premature death – tobacco prevention and obesity prevention.

We continue to preserve recreation and open space, and we are on the verge of realizing the long-held vision of permanent public ownership for the BNSF Eastside Rail Corridor.

We advance our goal to cut energy use in County buildings by 10 percent with investments in energy-efficient equipment and energy audits – generating \$2 million in annual savings at places like the Bellevue Transit Base and the Aquatic Center in Federal Way.

Our reform of DDES continues with new customer-service measures, a move to Snoqualmie to bring it closer to our rural customer base, and a new name that plainly says what it does – the Department of Permitting and Environmental Review.

To save Puget Sound, salmon runs, and clean water, the single most important thing we can do is to control the stormwater that runs off our streets, rooftops and parking lots. That water carries toxins that are poisoning the Sound. The federal Clean Water Act requires protection. The state mandates it. A proposed increase in the Surface Water Management fee in unincorporated King County will fund repair of aging infrastructure that prevents flooding, speed up work on salmon recovery, and help farmers.

In 2008, King County employed 14,000 people. This budget calls for 12,969. In four years we've lost more than 1,000 valued employees. This is a time of continuous change, and we all need to update our skills to account for the way the world changes. Even though we've had to make reductions, we value our employees and we want to make sure they have the training for the jobs they need, inside or outside King County. In fact, over the last three years, 82 percent of the employees who have sought placement through our program, have been placed.

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I've said before, government doesn't create jobs; it creates the environment for businesses to thrive and create jobs – whether it's growing our high-tech, life-sciences, and other business sectors, or encouraging the thousands of small businesses that provide the majority of new jobs.

To have true prosperity, our economy depends on everyone being able to participate. And yet our recent report on equity and social justice revealed dramatic disparities of place, race and income that still exist across this county.

That's not what we want. We want a place where everyone has a chance to succeed based upon merit, and drive, and determination.

Of all sectors, the aerospace industry has done more than any other over the last century to create the prosperity of our region's middle class. In the spring we brought our King County Aerospace Alliance to Orion Industries in Federal Way, to see how a top-tier Boeing supplier is also providing opportunity for those who have had few options.

Orion makes it their business to hire and train people with barriers to employment – people with mental or physical disabilities, or people who have made some mistakes in life and just want a chance to prove themselves. Orion places them in jobs so they can become self-sufficient and, yes Councilmembers, taxpaying members of our community.

This is equity in action. It starts at places like Orion, and it starts here, with this King County budget.

In this budget, all agencies considered equity impacts in their business plans. As a result this budget calls for such actions as locating public health clinics closer to clients, locating bus service in neighborhoods where fewer people own cars, and expanding voter registration and education in ethnic and underserved communities.

Our work is attracting attention across the country. I'm glad to learn the Council is making this a priority in your budget review as well.

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So in the face of enormous challenges, this budget reflects the best of our work together – reforming government, creating a sustainable foundation, investing in regional priorities – so the two-million people of King County can look forward to future prosperity.

In conclusion, let's add it up: Justice and safety, health and human potential, economic growth, a sustainable and stable environment.

That's "What we deliver" under our strategic plan, and that is what we budget for in this, our most important policy document – to make government work, to provide the physical and human infrastructure that protects the quality of life and the economy of this region.

With that in mind, let us make the decisions that will define us not just for this budget cycle, but for generations. With a sense of purpose, let us be methodical in our approach, consistent and sustained in our focus. With an eye to the future, let us keep our county the kind of place we are proud to call home.

As those in our survey said, we all want the same things – jobs, prosperity, a better future for our children.

So, 60 million dollars in efficiencies. 6.5 percent in reserve. 50 cents a gallon saved. Yes, it's arithmetic, but it's more than numbers. It's people, places, and it's the priorities of this great region of our state. King County remains the economic engine of Washington State and a wonderful place to live. It deserves our best work.

I look forward to our continued work together. Thank you.

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